

OVERVIEW OF BUDGET

DEPARTMENT: ARROWHEAD REGIONAL MEDICAL CENTER
DIRECTOR: MARK H. UFFER

	Operating Exp/ Appropriation	Revenue	Fund Balance	Staffing
Arrowhead Regional Medical Center	244,992,195	246,621,803	-	2,290.3
Telemedicine Federal Grant Fund	100,000	98,972	1,028.00	-
Total	245,092,195	246,720,775	1,028.00	2,290.3

BUDGET UNIT: ARROWHEAD REGIONAL MEDICAL CENTER (EAD MCR)

I. GENERAL PROGRAM STATEMENT

The Arrowhead Regional Medical Center provides inpatient and outpatient medical care to County residents in accordance with State law. The medical center operates through an enterprise fund. Under this system, revenues earned from operations are retained to fund the program.

II. BUDGET & WORKLOAD HISTORY

	Actual 2000-01	Budget 2001-02	Actual 2001-02	Budget 2002-03
Total Operating Expense	218,811,450	223,718,475	235,044,213	244,992,195
Total Financing	226,248,974	225,193,035	231,496,839	246,621,803
Fixed Assets	1,469,679	1,474,560	1,541,483	1,629,608
Budgeted Staffing		2,189.5		2,290.3

Workload Indicators

Aver. Daily Inpatient Census ARMC	232	231	246	246
Aver. Daily Inpatient Census DBH	54	51	58	59
Emergency Room Visits	66,635	65,000	60,490	63,000
Outpatient Clinic Visits	199,267	196,000	210,057	208,000

Significant differences between actual and budget for 2001-02 existed in services and supplies due to the hospital experiencing an inpatient census increase of 6.5% as well as a 15.7% increase in Behavioral Health inpatient census and a 5.6% increase in outpatient visits. These increases were also reflected in revenues. Variances in operating transfers out were due to additional debt service payments. Other revenue increased due to a payment received from Central Collections for six years of interest paid on delinquent accounts and increases in miscellaneous revenue such as cafeteria sales and parking ticket revenue. Operating transfers in decreased due to the elimination of the fee for service subvention funds used for debt service payments.

This budget assumes only the known impacts due to the looming state budget crisis. The potential revenue impacts that will result from the Upper Payment Limit changes and other changes in the Disproportionate Share Hospital programs are unknown. However, if these areas of concern above become significant, this budget will have to be readdressed at that time.

III. HIGHLIGHTS OF BOARD APPROVED CHANGES TO BUDGET (see attachments for detailed changes)

STAFFING CHANGES

Budgeted staffing increased by a net total of 100.8 positions. This increase includes 24.6 positions on the nursing floors to handle the 6.5% increase in inpatient census, 20.0 additional Security Technicians for added security after the September 11, 2001 terrorist attack, and increased need for security in the Emergency Room with Behavioral Health patients. Added 5.0 positions to Information Services to provide twenty four hour staffing to the Help Desk, 8.0 positions were added to administer the County Medical Service Program in-house, 6.7 positions were added for Proposition 10, for which ARMC will be reimbursed. Added 6.0 Registered Cardio Pulmonary Nurses to Respiratory Therapy to provide care as both a Registered Nurse and a Respiratory Care

ARROWHEAD REGIONAL MEDICAL CENTER

Practitioner, thereby enabling ARMC to hire fewer Respiratory Care Practitioners. Added 8.0 Phlebotomists to the Lab to handle the increase in blood draws because of the increased census and additional clinic visits. 6.0 positions were added to the clinics to account for the increase in outpatient visits, 5.0 positions were added to Medical Imaging for the census increases, 2.0 positions were added to handle the new compliance requirements of HIPAA, 7.0 positions were added to the Business Office to help qualify more patients for Medi-Cal, handle the increase in IEHP managed care patients and the increased billing requirements added by the increased census, and 2.5 positions were added in various ancillary departments due to the added census and outpatient visit increase.

Also reflected in the budget is a MOU increase of \$5.9 million in salaries and benefits.

PROGRAM CHANGES

Program changes affecting the budget include increases of \$1.9 million in medical supplies due to a 6.5% increase in inpatient census and 4% inflation, \$0.6 million for the Medically Indigent Adult Program (MIA) due to greater anticipated heart referrals and rate increases at St. Bernardines and Loma Linda University Medical Center, \$1.5 million in professional services due to volume increases in various contracted services such as pharmacy and doctors services, and \$1.5 million in COWCAP expenses. These increases are offset by decreases of \$2.3 million in computer software due to the elimination of the old Hospital Information System contract, the reduction of up-front fees for the new system that went live in April 2002, \$1.0 million in utility expense since the anticipated levels for natural gas from the prior year budget did not materialize, \$0.5 million in insurance expenses due to rate changes, and \$0.4 million in various miscellaneous expenses.

Also reflected in services and supplies are the following: the new Medically Indigent Adult program to reimburse private hospitals (\$2.5 million) which is funded by realignment, various expenses for the Proposition 10 program (\$1.0 million), which are fully reimbursed, and inflation (\$1.7 million).

Although debt service remains relatively stable for 2002-03, ARMC plans to make additional contributions for debt service payments thus freeing realignment funds for other purposes. As a result of these additional contributions and due to an accounting change, transfers increased \$4.3 million partially offset by a decrease in site reuse expenses of \$0.8 million.

Major changes in program revenues include a net increase of \$8.5 million in Medi-Cal revenues due to the following: projected increases in capitated payments based on higher expected number of enrollees (\$3.4 million), increases in SB855 and SB1255 Disproportionate Share Hospital revenues (\$4.3 million), inpatient volume increases (\$2.4 million), outpatient volume and reimbursement rates increases (\$4.6 million) less the deletion of one-time Medi-Cal outpatient settlement (\$6.2 million); \$8.3 million increase in insurance revenues due to higher volume, enhanced collection, and higher reimbursement rates resulting from restructuring of insurance contracts; \$2.9 million increase in Behavioral Health revenues due to a 15.7% increase in inpatient census; and \$0.8 million increase in Medicare due to inpatient and outpatient volume increases.

OTHER CHANGES

Other changes include increases in other charges and transfers due to an accounting change. These expenses were previously budgeted in services and supplies. Also due to an accounting change, realignment funding is now recorded as operating transfers instead of revenue. Other changes reflected in operating transfers are the deletion of the fee for service subvention funds (\$1.7 million) and the one-time Telemedicine grant (\$1.2 million), and the reduction in realignment funding (\$0.8 million) due to a decrease in County Medical Center site reuse need.

ARROWHEAD REGIONAL MEDICAL CENTER

GROUP: Human Services System
DEPARTMENT: Arrowhead Regional Medical Center
FUND: Enterprise EAD MCR

FUNCTION: Health & Sanitation
ACTIVITY: County Medical Center

	2001-02 Actuals	2001-02 Approved Budget	2002-03 Board Approved Base Budget	2002-03 Board Approved Changes to Base Budget	2002-03 Final Budget
<u>Appropriations</u>					
Salaries and Benefits	112,909,448	109,600,354	118,544,186	2,228,952	120,773,138
Services and Supplies	112,432,704	108,279,943	113,582,723	1,256,163	114,838,886
Central Computer	844,205	995,877	995,877	(101,896)	893,981
Other Charges	-	-	-	78,545	78,545
Transfers	(26,684)	-	-	177,645	177,645
Total Appropriation	226,159,673	218,876,174	233,122,786	3,639,409	236,762,195
Operating Transfers Out	8,884,540	4,842,301	4,842,301	3,387,699	8,230,000
Total Operating Expense	235,044,213	223,718,475	237,965,087	7,027,108	244,992,195
<u>Revenue</u>					
Current Services	50,037,072	44,376,500	46,377,120	9,201,580	55,578,700
State, Fed or Gov't Aid	175,904,271	175,322,343	179,722,851	(22,251,845)	157,471,006
Other Revenue	3,989,088	2,561,097	2,561,097	231,000	2,792,097
Total Revenue	229,930,431	222,259,940	228,661,068	(12,819,265)	215,841,803
Operating Transfers In	1,566,408	2,933,095	2,933,095	27,846,905	30,780,000
Total Financing	231,496,839	225,193,035	231,594,163	15,027,640	246,621,803
<u>Fixed Asset</u>					
Fixed Asset Equipment	920,532	1,000,000	1,000,000	-	1,000,000
Capital Lease Equipment	620,951	474,560	474,560	155,048	629,608
Total Fixed Asset	1,541,483	1,474,560	1,474,560	155,048	1,629,608
Budgeted Staffing		2,189.5	2,238.2	52.1	2,290.3

ARROWHEAD REGIONAL MEDICAL CENTER

Total Changes in Board Approved Base Budget

Base Year		
Salaries and Benefits	<u>5,930,015</u>	MOU and retirement increases.
Services and Supplies	<u>1,671,127</u>	Inflation.
Mid Year		
Salaries and Benefits	1,328,955	Added 23.0 FTE's for Arrowhead Behavioral Health approved by the Board on July 31, 2001.
	464,925	Added 6.75 FTE's for Proposition 10 approved by the Board on December 4, 2001.
	88,479	Added 1.0 FTE Human Resources Officer I approved by the Board on October 23, 2001.
	86,096	Added 3.0 FTE's to Sterile Processing approved by the Board on February 11, 2002.
	122,664	Added 2.0 FTE's to Radiology approved by the Board on February 11, 2002.
	67,462	Added 1.0 FTE Supervising Social Services Practitioner approved by the Board on February 11, 2002.
	148,003	Added 2.0 FTE Medi-Cal Specialists and 1.0 FTE Fiscal Clerk I approved by the Board on October 16, 2001.
	88,169	Added 1.0 FTE Dietician and 1.0 FTE Dietetic Tech. To Nutrition Services approved by the Board on October 20, 2001.
	398,986	Added 6.0 FTE Registered Cardio Pulmonary Nurses approved by the Board on October 2, 2001.
	101,712	Added 1.0 FTE Contract Quality Management Director approved by the Board on May 20, 2001.
	116,175	Equity increases to nurse classifications approved by the Board on April 16, 2002.
	43,114	Classification action 1 FTE replaced Clerk II approved by the Board on April 9, 2002.
	(40,923)	Classification action 1 FTE replaced by Clerk III approved by the Board on April 9, 2002.
	<u>3,013,817</u>	
Services and Supplies	925,677	Proposition 10 additional expenses approved by the Board on December 4, 2001.
	2,550,000	Reimbursement to private hospitals for MIA approved by the Board on February 26, 2002.
	30,000	Dr. Greene addition for CMSP pediatric allergy services approved by the Board on January 15, 2002.
	125,976	New McKee Clinic rental approved by the Board on March 19, 2002.
	<u>3,631,653</u>	
Revenue	1,701,165	Increased Behavioral Health revenue.
	299,455	Increased insurance revenue.
	1,390,602	Proposition 10 revenue.
	2,550,000	Additional realignment revenue to fund MIA payments to private hospitals.
	209,425	Increased Medi-Cal revenue.
	250,481	Increased Medicare revenue.
	<u>6,401,128</u>	
Total Operating Exp Change	14,246,612	
Total Revenue Change	6,401,128	
Total 2001-02 Oper Exp	223,718,475	
Total 2001-02 Revenue	225,193,035	
Total Base Operating Exp	237,965,087	
Total Base Budget Revenue	231,594,163	

ARROWHEAD REGIONAL MEDICAL CENTER

Board Approved Changes to Base Budget		
Salaries and Benefits	<u>2,228,952</u>	Addition of 52.06 FTE's for additional census.
Services and Supplies	572,727	Increased heart referrals to ST. Bernardines & Loma Linda Univ. Medical Center and volume increases at MIA clinics.
	100,600	Increases in various communication expenses per budget instructions.
	290,000	Meal sales up approximately 6% offset by increases in revenues
	(2,335,092)	Expiration of Shared Medical Systems contract - old Hospital Information System (HIS), less Meditech (new HIS)
	200,000	Computer upgrades and related peripherals.
	(954,000)	Projected increased rates due to temporary natural gas shortage not realized.
	(534,498)	Net decreased insurance rates from Risk Management.
	1,522,156	COWCAP Increased per new billing schedule.
	(341,230)	Net Information Systems Department decrease per Budget instructions.
	636,735	Institutional Pharmacy - increased inpatient and outpatient volume.
	394,000	Increased payments to other IEHP hospitals from higher volumes.
	300,000	Jordan Neuroscience - significant volume increase due to service expansion.
	209,000	Gambro kidney dialysis volume increases.
	(100,000)	Reduction in California Newborn screenings - now billed to patient.
	1,878,705	Increased supply purchases for increased volume and inflation.
	122,854	Increased specialty beds and accessories from increased census.
	139,006	Increased lab reagent rentals from increased census.
	(95,540)	Las Palomas rent payment assumed by Valley OB/GYN.
	(46,020)	High Desert clinic budgeted in transfers per GASB 34.
	(115,000)	Human Resources Officer (HRO) II budgeted in transfers per GASB 34.
	(588,240)	Net decreases for all other Services & Supplies.
	<u>1,256,163</u>	
Central Computer	<u>(101,896)</u>	
Other Charges	<u>78,545</u>	
Transfers	59,445	High Desert clinic lease.
	118,200	HRO II previously budgeted in services and supplies.
	<u>177,645</u>	
Total Expenditure Authority	<u>3,639,409</u>	
Operating Transfers Out	4,157,699	Increase in ARMC debt service contributions.
	(770,000)	Decrease in County Medical Center (CMC) site re-use needs.
	<u>3,387,699</u>	
Total Operating Expense	<u>7,027,108</u>	
Current Services	1,252,835	Department Behavioral Health paid days increasing with census increase of 15.7%.
	7,948,745	Increased Private Pay and Insurance revenues due to increased census and enhanced collection.
	<u>9,201,580</u>	
State and Federal Aid	(31,550,000)	Realignment now budgeted as operating transfers in.
	437,043	Increased allocation of Tobacco Tax (Proposition 99).
	(6,200,000)	Elimination of the Medi-Cal Outpatient settlement.
	3,366,500	Increased capitated payments due to higher number of enrollees.
	1,000,000	Increased SB855 payment.
	6,825,575	Increased Medi-Cal inpatient days, outpatient volume and 30% rate increase.
	3,311,797	Increased budgeted SB1255 amount.
	557,240	Increased Medicare Inpatient and Outpatient volume.
	<u>(22,251,845)</u>	
Other Revenue	231,000	Various increases and decreases in other revenues.
	<u>231,000</u>	
Total Revenues	<u>(12,819,265)</u>	
Operating Transfers In	31,550,000	Realignment previously budgeted as revenue.
	(770,000)	Decrease in Realignment due to decrease in CMC site re-use needs.
	(1,733,095)	Fee for service subvention eliminated.
	(1,200,000)	Elimination of a one-time Telemedicine Grant.
	<u>27,846,905</u>	
Total Sources	<u>15,027,640</u>	
Fixed Assets	<u>155,048</u>	Increased in Capital leases due to new leases and renewals of old ones.